

BEFORE THE TENNESSEE REGULATORY AUTHORITY
NASHVILLE, TENNESSEE

REC'D IN
TENN. REG. AUTH.
01 DEC 12 PM 4 13

PETITION OF TENNESSEE-AMERICAN)
WATER COMPANY FOR APPROVAL)
OF THE MERGER OF ITS PARENT,)
AMERICAN WATER WORKS)
COMPANY, INC., WITH A SUBSIDIARY)
OF RWE AKTIENGESELLSCHAFT)

OFFICE OF THE
EXECUTIVE SECRETARY
DOCKET NO. 01-01116

**PETITION OF TENNESSEE-AMERICAN WATER COMPANY
FOR APPROVAL OF THE MERGER OF ITS PARENT, AMERICAN WATER WORKS
COMPANY, INC., WITH A SUBSIDIARY OF RWE AKTIENGESELLSCHAFT**

Tennessee-American Water Company ("Tennessee-American") petitions the Tennessee Regulatory Authority ("TRA") pursuant to T.C.A. § 65-4-112 for approval of the merger of its parent corporation, American Water Works Company, Inc. ("AWW"), into a subsidiary of RWE Aktiengesellschaft ("RWE"). In support of this Petition Tennessee-American provides the following information:

1. Tennessee-American is a Tennessee corporation that holds a certificate of public convenience and necessity authorizing it to provide water service in the City of Chattanooga, Tennessee and certain surrounding areas.

2. AWW is a Delaware corporation, the stock of which is publicly traded on the New York Stock Exchange. AWW owns water and wastewater distribution companies with operations in approximately 1,300 communities throughout 22 states serving over 10 million people. AWW provides water, wastewater and other water resource management services to a population of approximately 12 million people in 28 states and Canada. AWW is the largest publicly traded business in the United States devoted exclusively to water and wastewater and water resource management services.

3. AWW owns all of the outstanding stock of Tennessee-American.
4. RWE is a company organized under the laws of the Federal Republic of Germany, the stock of which is publicly traded on stock exchanges in Germany and Switzerland. Through its subsidiaries, RWE operates water, electric, gas and waste and recycling services worldwide. Additional information about RWE and its operations is attached hereto as Appendix 1. Neither RWE nor its subsidiaries currently offer any utility services in the State of Tennessee.
5. RWE owns all of the outstanding stock of Thames Water Aqua Holdings GMBH, a company organized under the laws of the Federal Republic of Germany ("Thames Holdings"). Thames Holdings owns all of the outstanding stock of Thames Water Plc, a public limited corporation organized under the laws of England and Wales ("Thames Water"). Thames Water operates all of the water business of Thames Holdings and brings to Thames Holdings its extensive experience and expertise as the largest water and wastewater company in the United Kingdom and one of the largest water and wastewater companies in the world, providing water-related services to a population of approximately 43 million people world-wide. A description of Thames Water is attached as Appendix 2. Thames Holdings also owns all of the outstanding stock of Apollo Acquisition Company, a Delaware corporation ("Apollo").
6. AWW, RWE, Thames Holdings and Apollo have entered into an Agreement and Plan of Merger dated as of September 15, 2001 (the "Merger Agreement"). Under the terms of the Merger Agreement, AWW will become a wholly-owned subsidiary of Thames Holdings which, in turn, is a wholly-owned subsidiary of RWE.
7. There will be no change in Tennessee-American. It will continue to be a subsidiary of American and will continue to exist as a Tennessee public utility corporation subject to the jurisdiction and regulation of the TRA. None of the outstanding debt, owed and

recorded as liabilities on the books of Tennessee-American, will be affected by the Merger Agreement. All of that outstanding debt will continue to be liabilities and obligations of Tennessee-American.

8. The Merger Agreement provides that each issued and outstanding share of Common Stock, par value \$1.25 per share, of AWW not owned by Thames Holdings, Apollo or AWW, other than shares owned by any holder who invokes appraisal rights under Delaware law, shall be converted into the right to receive cash consideration of \$46.00 per share.

9. Tennessee-American will continue to operate under its existing tariffs and rates, and there will be no adverse changes in the balance sheet or financial position of Tennessee-American as a result of this transaction. The transaction will not result in any adverse changes in Tennessee-American's policies, including accounting, depreciation, maintenance, billing, customer service, and/or other policies affecting its utility operations.

10. No changes in local staffing of Tennessee-American or its day-to-day operations are anticipated as a result of the transaction.

11. Tennessee-American will continue to provide safe, adequate and reliable service in fulfillment of its obligations under Tennessee law. The proposed transaction will result in no adverse impact on Tennessee-American's customer service.

12. The transaction will provide numerous benefits to Tennessee-American and its water utility customers. For example, Tennessee-American will have direct access to the advanced utility infrastructure technology that Thames Water currently uses in its water utility construction and operations worldwide. Due to the international scope of Thames Holdings' operations, Tennessee-American's employees will have greater employment and development opportunities than currently exist by having access to Thames Holdings and its affiliates' career

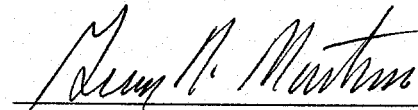
and development programs. Tennessee-American will be able to access the vast financial, technical services and other resources available through Thames Holdings and its parent or one of its subsidiaries. Affiliation with Thames Holdings will enhance Tennessee-American's ability to obtain necessary capital.

13. The proposed transactions are, in all respects, lawful, and consistent with the public interest.

14. Section 65-4-112(a) of the Tennessee Code Annotated provides that a merger of a "public utility" with another "public utility" is not valid until approved by the TRA. Although Tennessee-American is a "public utility" within the meaning of Section 65-4-101(a) of the Tennessee Code Annotated by virtue of the water service operations it owns in Chattanooga, it is not a party to the proposed transaction and its corporate existence and direct ownership will be unaffected by the proposed merger. Tennessee-American understands, however, that the TRA has taken the position that a Tennessee "public utility" whose parent is being acquired must file a petition seeking the TRA's approval of the proposed transaction. Tennessee-American's filing of this petition does not constitute a waiver by or on behalf of Tennessee-American, AWW, RWE or their affiliates on any rights that any of such entities might have under Tennessee law to assert that approval of the proposed transaction by the TRA is not required under Tennessee law.

WHEREFORE, Tennessee-American respectfully requests that the TRA issue an order authorizing Thames Holdings, RWE and any other entity owned or controlled, directly or indirectly, by Thames Holdings and managed by Thames Water to acquire control of Tennessee-American and AWW.

Respectfully submitted,



T.G. Pappas
George H. Masterson
BASS, BERRY & SIMS
Suite 2700
315 Deaderick Street
Nashville, TN 37238
Phone: (615) 742-6200
Fax: (615) 742-2763

Attorneys for Tennessee-American
Water Company

APPENDIX 1

INFORMATION REALTING TO RWE AKTIENGESELLSCHAFT

15. RWE- CORPORATE PROFILE

RWE, Germany's fifth largest industrial group, is a leading international multi-utility provider with core businesses in electricity, water, gas and waste management and utility-related services. Essen, Germany-based RWEGroup has 12 major operating subsidiaries.

Within its core businesses, RWE today ranks:

Electricity -- No. 1 in Germany, No. 3 in Europe.

Water services -- No. 3 worldwide.

Gas -- No. 2 in Germany

Waste-management services -- No. 1 in Germany, No. 3 in Europe.

The Group ranks No. 1 in Germany and among the top 5 in Europe in utility-related services. RWE is also a leading trader of energy commodities, ranking it among the top three in Europe.

In the financial year 2000/2001 ended June 30, 2001, the Group's 170,000 employees worldwide generated sales of \$57 billion (63 billion Euros). Group EBITDA was approx. \$6 billion (6.6 billion Euros) and net income was approx. \$1.2 billion (1.3 billion Euros).

Selected Key Highlights of Groupwide Business Operations:

Operates the most dense and extensive private power grid in Europe, with a length of 355,000 kilometers (approximately 222,000 miles).

Generates more than 270 billion kilowatt hours of electricity annually for more than 8.9 million private and industrial customers and over 200 municipal power suppliers.

In physical and financial power trading, generates volume of more than 300 Terawatt hours; the only German trader to deal in all energy commodities (electricity, coal, gas and oil)

Sells approx. 220 billion kWh of natural gas annually.

Full-service waste management company, serving more than 23 million customers (residential consumers and municipalities) and over 220,000 industrial customers in Germany alone

Produces over 100 million tons of run-of-mine lignite per year, ranking the company as the largest lignite producer in the world.

Manages in excess of 12 million tons of waste per year in Germany alone.

Has launched the first powerline Internet access application in Germany, offering customers speeds up to 2 megabits per second

Leading promoter of renewable energy (fuel cell technology as well as wind-, solar- and biomass-generated energy)

Together with SiemensWestinghouse, has launched the first pilot plant for fuel cell system technology

CORE

- Responsible action in offering customers and communities utility services worldwide

BUSINESS

- Research and development of innovative technologies, products and services

STRENGTHS

- Investing in growth areas nationally and internationally
- Complete unbundling of power production chain in the electricity division
- Balanced utility portfolio with long-term growth potential
- Know-how and experience in liberalized utility markets

APPENDIX 2

INFORMATION RELATING TO THAMES WATER Plc



THAMES WATER - CORPORATE PROFILE

Thames Water is a global leader in water and wastewater treatment operations, products and services. The company is the *largest water/wastewater utility in the United Kingdom* and the *3rd largest water/wastewater services company in the world*. Thames Water and its international operations provide drinking water and wastewater treatment services to over 43 million people worldwide – including 12 million in and around the City of London. Thames Water operated as a public water authority prior to a successful transition to the private sector in 1989.

Thames Water is owned by the RWE Group, one of the world's largest multi-utility companies with annual revenues of \$48 billion and 172,000 employees.

- SELECTED KEY** • Global management and operation of over 540 water/wastewater facilities in 44 countries
- HIGHLIGHTS OF** • Extensive worldwide experience in various types of Public – Private Partnerships, operating
- BUSINESS** contracts, and concessions, including the *world's largest wastewater treatment plant*
- OPERATIONS** (Egypt) and the *world's largest privately financed water treatment plant (Turkey)*
- A specialist contracting business focused on operations and maintenance, rehabilitation and facilities management
- United States and United Kingdom based diversified products companies engaged in water/wastewater process equipment, membrane filtration, advanced separation systems, pipes, valves and fittings

- Award winning centralized 24 Hour Operations/Customer Service Call Center in the United Kingdom handling over 9,000 customer calls each day
- Completed one of the world's largest water main construction projects in the City of London
- A significant and growing presence in the United States and North America

CORE

facilities

- Comprehensive management and operations of water and wastewater treatment

BUSINESS

- Financial and Commercial Business Development

STRENGTHS

- Engineering conceptual development and process design
- Research and Development (served as Research Advisor for NASA)
- Innovation in Operations, Engineering and Technology
- Consultancy services, including training

CORPORATE London, England

HEADQUARTERS

EMPLOYEES 17,000 (includes RWE Aqua)

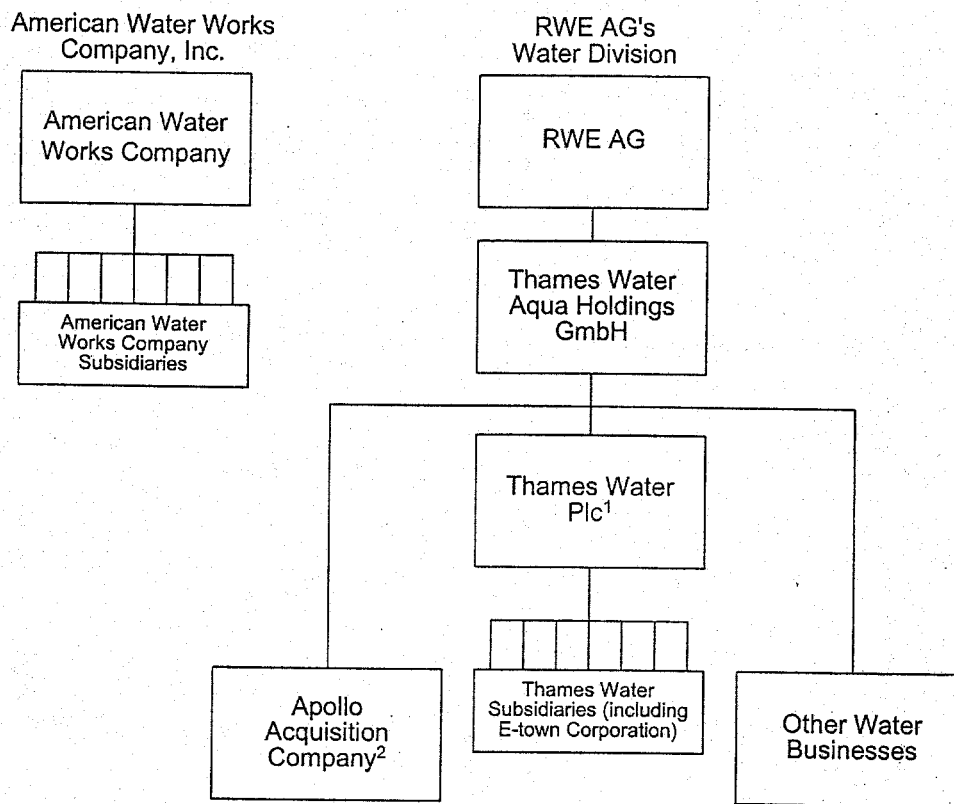
ANNUAL

REVENUES \$3 billion (includes RWE Aqua)

AWARDS *ISO 9000, 9001, 9002 & 14001 Accreditations*; 10 national awards in the United Kingdom across a broad range of customer care, environment, safety, architecture, and the industry, including: the *Utility Week Achievement Award*; *Corporation of London's Considerate Contractor Streetworks Scheme - Gold Award*; *Index of Corporate Environmental Engagement*; *UK Government Charter Mark for Customer Service Excellence*; *Britain's Best Employers Award*

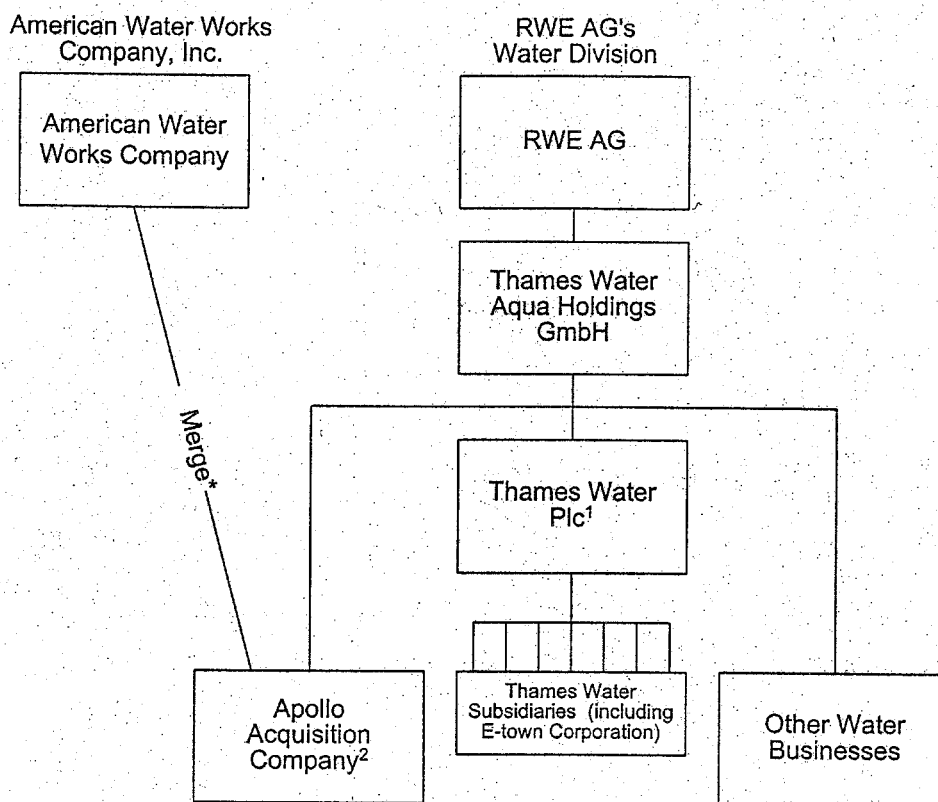
APPENDIX 3
MERGER DIAGRAM

The Present Situation



1. Thames Water Plc operates (through its officers and employees) all of the water business of Thames Water Aqua Holdings GmbH's current and future subsidiaries, including American Water Works Company's utility subsidiaries upon completion of the merger.
2. Owned directly by Thames Water Aqua Holdings GmbH or by an intermediary holding company which will be owned directly by Thames Water Aqua Holdings GmbH.

Merger

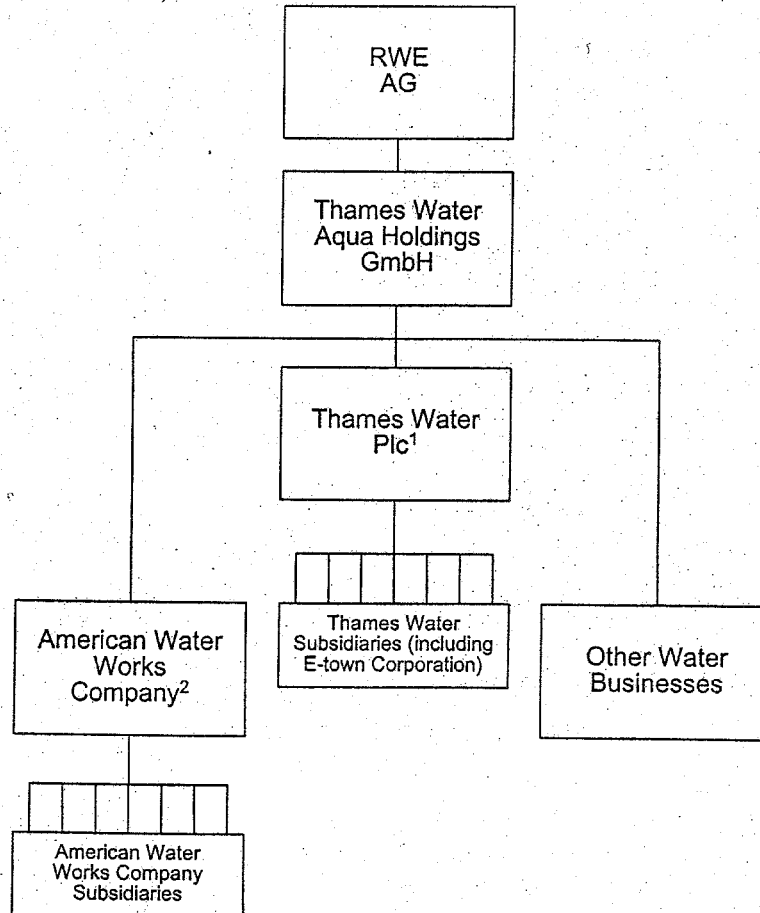


1. Thames Water Plc operates (through its officers and employees) all of the water business of Thames Water Aqua Holdings GmbH's current and future subsidiaries, including American Water Works Company's utility subsidiaries upon completion of the merger.
2. Owned directly by Thames Water Aqua Holdings GmbH or by an intermediary holding company which will be owned directly by Thames Water Aqua Holdings GmbH.

* Apollo acquisition Company merges into American Water Works Company. American Water Works Company is the surviving corporation. By operation of law, the assets and liabilities of each are combined in the surviving corporation, American Water Works Company. All property is held by American Water Works Company. Each outstanding share of common stock of American Water Works Company is converted into the right to receive the merger consideration, which is \$46 per share in cash.

Post-Merger

RWE AG's Water Division



1. Thames Water Plc operates (through its officers and employees) all of the water business of Thames Water Aqua Holdings GmbH's current and future subsidiaries, including American Water Works Company's utility subsidiaries upon completion of the merger.
2. Owned directly by Thames Water Aqua Holdings GmbH or by an intermediary holding company which will be owned directly by Thames Water Aqua Holdings GmbH.